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Arizona Corporation Commission

DOCKETED

MAY 23 2022

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2022 MAY 23 A 11:07

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BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON
 CHAIRWOMAN

JUSTIN OLSON
 COMMISSIONER

SANDRA KENNEDY
 COMMISSIONER

JIM O'CONNOR
 COMMISSIONER

ANNA TOVAR
 COMMISSIONER

IN THE MATTER OF THE
 APPLICATION OF SALT RIVER
 PROJECT AGRICULTURAL
 IMPROVEMENT AND POWER
 DISTRICT, IN CONFORMANCE WITH
 THE REQUIREMENTS OF ARIZONA
 REVISED STATUTES, SECTIONS 40-
 360, ET SEQ., FOR A CERTIFICATE OF
 ENVIRONMENTAL COMPATIBILITY
 AUTHORIZING THE EXPANSION OF
 THE COOLIDGE GENERATING
 STATION, ALL WITHIN THE CITY OF
 COOLIDGE, PINAL COUNTY,
 ARIZONA.

) **DOCKET NO. L-00000B-21-0393-00197**
) **SIERRA CLUB RESPONSE TO**
) **COMMISSIONER OLSON'S LETTER**

Sierra Club submits this response to Commissioner Olson's letter filed in this
 docket on May 12, 2022. In his letter, Commissioner Olson asks the Commission to
 reconsider its decision to deny Salt River Project's ("SRP") application for a Certificate of
 Environmental Compatibility ("CEC") for the Coolidge Expansion Project ("CEP").
 Below we respond to Commissioner Olson's contentions.

First, Commissioner Olson raises reliability concerns and mentions that without
 additional peaking capacity, Arizona utilities could struggle to meet demand requirements

1 in coming years. To be sure, system reliability is crucial. However, it was the technology
2 to be used for delivering that capacity that was at issue in this proceeding. To that end, the
3 record made clear that the most responsible and cost-effective approach to filling this need
4 is not with natural gas generation, but with battery storage. SRP's *own consultant*
5 concluded that a smaller configuration of battery storage could easily replace the gas-fired
6 CEP. The intervenors sought to have SRP use the most cost effective and reliable approach
7 for adding this capacity, but SRP failed to adequately consider alternatives to the CEP.

8 Commissioner Olson's second assertion – that opposition to the CEP centered on
9 an ideological opposition to gas generation – is similarly false. The intervenors in this
10 proceeding never sought a moratorium on natural gas generation. Instead, to the extent the
11 intervenors sought a “moratorium” of any kind, it was a moratorium on government waste
12 stemming from a rushed, poorly evaluated project that would require nearly \$1 billion in
13 public funding. Spending almost \$1 billion without evaluating alternatives is poor
14 governance, particularly when it leads to siting a polluting plant next to a vulnerable
15 residential neighborhood, results in numerous negative environmental consequences, and
16 will cause millions of dollars in increased healthcare costs – indeed, if a moratorium is
17 called for, Sierra Club submits that it should be on projects meeting this description.

18 Third, though Sierra Club agrees that reliable, flexible, and cost-effective resources
19 are needed to facilitate renewable energy use, Commission Olson wrongly concludes that
20 the CEP had these attributes. Conversely, the record in this proceeding made it clear that
21 battery storage – not the CEP – is more flexible and has greater benefits than the CEP.
22 Instead of relying on out-of-state gas supplies subject to surging market rates and
23 dependent on cross-country transmission pipelines, batteries can be sited quickly,
24 incrementally, and as-needed across the distribution grid. Battery storage is a proven
25 technology that will save ratepayer money and ensure reliability without the variable cost
26 or operational vulnerabilities inherent to natural gas. Moreover, SRP presented *no evidence*
27 detailing the impact that the nearly \$1 billion CEP project would have on ratepayers, which
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1 was another glaring oversight in this rushed proposal and one of many deficiencies that led
2 to its rejection.

3 Fourth, Commissioner Olson speculates that the Commission overstepped its
4 authority by denying the CEP application. This assertion is quickly dispelled by reviewing
5 the applicable statutory authority found in A.R.S. §40-360.06. The criteria found in this
6 provision require that the Power Plant and Line Siting Committee – and ultimately, the
7 Commission – evaluate uses of the existing site, noise emissions, visual impacts, the total
8 environment of the area, and the cost of the facilities and site, with the express recognition
9 that “any significant increase in costs represents a potential increase in the cost of electric
10 energy to the customers or the applicant.”¹ As such, not only do all of the issues in this
11 proceeding that pertained to the CEP’s numerous site-specific problems fall within the
12 Commission’s purview, SRP’s failure to consider alternatives to the project does as well.
13 Accordingly, rejecting the CEP fit squarely within the Commission’s authority as defined
14 by statute.

15 Finally, Commissioner Olson expresses concern that rejection of the CEP may result
16 in the Commission litigating the matter with SRP. This concern is alarming, because if the
17 Commission allows the threat of utility litigation to guide its decisions it will never be able
18 to regulate effectively. For example, APS is currently appealing its most recent rate case
19 order – thankfully the Commission ignored the threat of this litigation when deciding to
20 reduce APS’ return on equity to a more reasonable level. In short, it is incumbent on the
21 Commission to do the right thing regardless of threats made by regulated entities. The role
22 of the Commission as a regulatory body will be irreparably compromised if the mere threat
23 of litigation informs its decision making.

24 For the foregoing reasons, Sierra Club urges the Commission to stand by its decision
25 in this matter. The Commission evaluated the CEP fairly and correctly concluded that it
26 was not in the public interest. Reversal of that decision would be poor public policy and
27 would reward SRP for its lack of planning. Even worse, it would send a clear message to
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¹ A.R.S. §40-360.06(A)(8).

regulated entities – if you don't like the Commission's actions, threaten litigation to get your way. Sierra Club is confident that the Commission will not allow that message to be sent.

RESPECTFULLY SUBMITTED this 23rd day of May, 2022.

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/s/ Court S. Rich

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**Original plus 25 copies filed on
this 23rd day of May, 2022 with:**

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I hereby certify that I have this day served a copy of the foregoing document on all parties of record in this proceeding by regular or electronic mail to:

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